

Message Text

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FM SECSTATE WASHDC

TO USMISSION USUN NEW YORK

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FOLLOWING TELEGRAM FROM GENEVA DATED APRIL 26, 1977 SENT
SECSTATE WASHDC INFO LONDON, MONTREAL, NAIROBI, PARIS, ROME,
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SUBJECT: US AGREEMENTS WITH UN SYSTEM ORGANIZATIONS RE RE-
IMBURSEMENT OF US INCOME TAX

REF: (A) STATE 079279; (B) GENEVA 2608; (C) STATE 061985
(D) GENEVA 1890

1. SUMMARU. RECENT CHANGES IN US TAX LAWS HAVE INCREASED
THE AMOUNTS OF MONEY THAT GET "RECYCLED" THROUGH THE
VARIOUS TAX REIMBURSEMENT MECHANISMS FOR AMERICAN EMPLOYEES
OF UN SPECIALIZED AGENCIES. TTIN THESE
AGENCIES ARE CONSIDERING THIS PROBLEM INFORMALLY FOR THE MOMENT,
AND WILL MEET IN JUNE TO DISCUSS IT FURTHER. THE US
COULD BE SUBJECT TO CRITICISM ON SOME ASPECTS OF THESE
ARRANGEMENTS, AND WE SHOULD ADOPT A UNIFORM POSITION ON
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THE ISSUE NOW AND COMMUNICATE IT TO THE GCIES'
ADMINISTRATIVE HEADS BEFORE THEIR JUNE MEETING.
END SUMMARY.

2. AS THE DEPARTMENT IS AWARE, VARIOUS TAX REIMBURSE-
MENT MECHANISMS HAVE BEEN DEVELOPED WITH UN SPECIALIZED
AGENCIES SO THAT AMERICAN EMPLOYEES ARE NOT DISADVANT-

AGED IN RELATION TO OTHER NATIONALITIES BECAUSE OF US TAX LAWS. BECAUSE OF THE FACT THAT THE US IN STH ONLY COUNTRY OTHER THAN CANADA (AND THEY ONLY IN SOME CASES) CHICH TAXES ITS NATIONALS WHEN THEY WORK AS INTERNATIONAL CIVIL SERVANTS, THE UNIQUENESS OF THESE TAX REIMBURSEMENT ARRANGEMENTS SOMETIMES CAUSES PROBLEMS (REFTEL B). RECENT CHANGES IN US TAX LAW HAVE DRASTICALLY INCREASED THE AMOUNTS OF MONEY WHICH ARE "RECYCLED" THROUGH THESE ARRANGEMENTS, AND THE ATTENTION OF SECRETARIATS AND POTENTIALLY OTHER MEMBER STATES CAN BE DRAWN TO THIS SUBJECT. IN ADDITION, ANY "INFORMAL GUIDELINES" GIVEN AMERICAN EMPLOYEES BY THE VARIOUS SECRETARIATS ON HOW TO FILL OUT THEIR TAX RETURNS HAVE NOW ASSUMED A GREATER IMPORTANCE, ESPECIALLY SINCE THIS GUIDANCE SEEMS TO VARY FROM AGENCY TO AGENCY.

3. IT SEEMS TO US THAT WE ARE VULNERABLE TO CRITICISM ON THIS ISSUE. IT IS UNDOUBTABLY AN ADMINISTRATIVE BURDEN ON ORGANIZATIONS TO PROCESS THESE REIMBURSEMENTS. EXCEPT FOR CANADIANS IN A FEW INSTANCES, THIS IS DONE ONLY FOR AMERICANS, AND THE ADMINISTRATIVE HEAD OF ONE LARGE AGENCY IN GENEVA ESTIMATES THAT IST COSTS HIS AGENCY ONE FULL PROFESSIONAL MAN-YEAR TO DO IT (THE ILO FIGURE FOR THE AVERAGE COST OF A PROFESSIONAL MAN-YEAR IN GENEVA AT PRESENT IS ABOUT \$46,000).

4. IN ADDITION, THE AGREEMENTS WE HAVE WITH SEVERAL OF THE AGENCIES IN GENEVA STATE THAT THEY DO NOT APPLY TO PROJECTS WHICH ARE FINANCED OUT OF FOLUNTARY FUNDS. LIMITED OFFICIAL USE

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SINCE ANY AMERICANS WHO WORK ON VOLUNTARILY FUNDED PROJECTS IN THESE AGENCIES DO GET REIMBURSED, THIS MEANS THAT THE STATES CONTRIBUTING THE VOLUNTARY FUNDS ARE, IN EFFECT, PAYING THE AMERICAN EMPLOYEES' TAXES.

5. WE ARE TOLD THAT THE CCAQ DISCUSSED THIS ISSUE DURING ITS MARCH MEETING, AND THE ADMINISTRATIVE HEADS OF THE VARIOUS AGENCIES DECIDED THAT, FOR THE MOMENT, THEY WOULD NOT DISCUSS THE SUBJECT FURTHER IN THE CCAQ CONTEXT. THEY AGREED TO MEET AGAIN INFORMALLY LATER, PROBABLY IN JUNE, AFTER HAVING GATHERED MORE INFORMATION, TO DECIDE IF AND HOW THEY SHOULD PROCEED. THEY OBVIOUSLY UNDERSTAND THE SENSITIVITY OF THE SUBJECT AND PREFER TO KEEP IT IN AN INFORMAL CONTEXT. IN THE MEANTIME, WE UNDERSTAND THE CCAQ STAFF IS GATHERING INFORMATION THROUGH A QUESTIONNAIRE WHICH WILL BE SENT TO THE SPECIALIZED AGENCIES FOR THEIR RESPONSES.

6. THIS IS CLEARLY NOT AN ISSUE WHICH WE WANT TO SEE

RAISED IN GOVERNING BODIES AND/OR ASSEMBLIES, ESPECIALLY SINCE MOST OF THESE ARRANGEMENTS WERE AGREED TO PRIVATELY BETWEEN OURSELVES AND THE VARIOUS EXECUTIVE HEADS, WITHOUT THE APPROVAL OF THOSE ORGANIZATIONS' GOVERNING BODIES. THEREFORE, TO AVOID ANY PROBLEMS WHICH MIGHT ARISE IF THIS ISSUE WERE AIRED IN PUBLIC, WE RECOMMEND THAT THE DEPARTMENT ADOPT NOW A UNIFORM POSITION ON THE QUESTION OF THE LARGE SUMS OF MONEY WHICH ARE NOW BEING "RECYCLED" THROUGH THESE MECHANISMS, THE UNIFORM IMPLEMENTATION OF THE VARIOUS REIMBURSEMENT MECHANISMS THROUGHOUT THE UN SYSTEM, AND THE "GUIDELINES" WHICH ARE GIVEN TO AMERICAN EMPLOYEES OF THESE AGENCIES. THIS SHOULD BE COMMUNICATED TO THE ADMINISTRATIVE HEADS OF THE AGENCIES BEFORE THEIR INFORMAL JUNE MEETING. FURTHERMORE, IT SEEMS TO US THAT THE VARIOUS AGREEMENTS SHOULD BE MODIFIED IN SOME WAY IN ORDER TO TAKE CARE OF THE PROBLEM OF REIMBURSEMENT OF TAXES FOR AMERICANS WHO ARE WORKING ON LIMITED OFFICIAL USE

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VOLUNTARILY FUNDED PROJECTS.

7. THIS APPEARS TO US TO BE AN ISSUE WE SHOULD MANAGE ADROITLY IN OUR RELATIONS WITH THE UN AND SPECIALIZED AGENCIES. IN THE LONG TERM, OF COURSE, IT WOULD BE VERY DESIRABLE IF THIS PROBLEM AREA COULD BE ACCOMMODATED IN A REFORM OF IRS PROVISIONS SO AS NOT TO TAX US CITIZENS WORKING AS INTERNATIONAL CIVIL SERVANTS (WHICH IS THE SOLUTION ADOPTED BY ALL OTHER COUNTRIES EXCEPT THE US AND CANADA). SORENSON UNQUOTE VANCE

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